

Developing the brand in a new supplier relationship context

Heidi Kangas

Heidi Kangas
Degree Thesis

International Business Management (Masters Degree)

2015

DEGREE THESIS	
Arcada	
Degree Programme:	International Business Management (Masters Degree)
Identification number:	5275
Author:	Heidi Kangas
Title:	Developing the brand in a new supplier relationship context
Supervisor (Arcada):	Carl-Johan Rosenbröijer
Commissioned by:	Confidential
<p>Abstract:</p> <p>The purpose of this thesis is to discuss and respond to the main issues in managing brand, brand equity and supplier relationship in B2B context. The case company is in leisure time business and has a vision to become a considerable supplier and brand in a certain customer segment. The guiding research question is how to develop a strong and long-term relationship with the support of the brand in a new B2B context. The theoretical part is the basis for the empirical part of this thesis and this part concentrates on the B2B brand management, brand equity and supplier relationship management and evaluation of the long-term supplier relationship. In order to achieve this purpose, the concepts of the brand and the supplier relationship management were analyzed. I also familiarized different brand equity models and typical features of those models. This theoretical framework provides a comprehensive framework for the empirical part which consists of how the brand effects on the supplier relationship in a new B2B context. Brand equity can be handled from a managerial point of view or as a financial asset in a relationship concept or customer-based concept. This thesis concentrates on the brand management and the supplier relationship concepts as that has been the commissioner's demand for this thesis. The theoretical framework for this thesis opens discussions how to enter into a new supplier relationship and which are the factors that might support or prevent building the brand in Finland. Theoretical framework also introduces from supplier relationship point of view which are the factors that effect on the relationship.</p> <p>The research approach of this thesis is a case study. The empirical part introduces how the current relationship has developed and how the customers are expecting the relationship to develop in future and what are their action points.</p>	
Keywords:	Supplier relationship management, brand, brand management, brand equity, B2B
Number of pages:	79
Language:	English
Date of acceptance:	2.6.2015

OPINNÄYTE	
Arcada	
Koulutusohjelma:	International Business Management (Masters Degree)
Tunnistenumero:	5275
Tekijä:	Heidi Kangas
Työn nimi:	Developing the brand in a new supplier relationship context
Työn ohjaaja (Arcada):	Carl-Johan Rosenbröijer
Toimeksiantaja:	Salassapidettävä
<p>Tiivistelmä:</p> <p>Tämän tutkimuksen tarkoituksena on tutkia ja kehittää tärkeimpiä osa-alueita brändin rakentamisessa ja hallinnoimisessa yhdessä brändin pääoman ja B2B toimittaja-suhteen kanssa. Toimeksiantajayritys toimii vapaa-ajan liiketoiminta-alueella ja yrityksen tarkoituksena on tulla varteenotettavaksi toimittajaksi tietyssä asiakassegmentissä yhdessä vahvan brändinsä kanssa. Tutkimuskysymys selvittää miten kehittää vahva ja pitkäaikainen suhde brändin tuella uudessa B2B asiakassuhteessa. Teoriaosuus on perusta empiiriselle osalle ja keskittyy B2B brändin hallinnoimiseen, brändin pääomaan ja pitkäaikaisen toimittajasuhteen hallinnoimiseen. Empiirisen tutkimuksen taustaksi teoriaosuudessa analysoidaan brändin käsite, perehdytään eri brändipääoma ja toimittajasuhteen malleihin. Teoreettinen kehys luo pohjan empiiriselle osalle, joka koostuu siitä, mitkä ovat brändin vaikutukset toimittajasuhteen luomisessa uudessa B2B tilanteessa.</p> <p>Empiirisen osan tutkimuksen lähestymistapa on tapaustutkimus (case study). Empiirisessä osassa pohditaan sitä miten nykyinen toimittajasuhde on rakentunut ja kehittynyt sekä miten asiakkaat odottavat suhteen kehittyvän jatkossa yhdessä toimeksiantajan brändin tuella.</p>	
Avainsanat:	Supplier relationship management, brand, brand management, brand equity, B2B
Sivumäärä:	79
Kieli:	Englanti
Hyväksymispäivämäärä:	2.6.2015

CONTENTS

1	INTRODUCTION	6
1.1	Statement of the problem	6
1.2	Background and need	7
2	RESEARCH DESIGN.....	8
2.1	Purpose of the thesis.....	8
2.2	Research questions.....	9
2.3	Methodology and structure.....	9
3	THEORETICAL FRAMEWORK	12
3.1	Brand management.....	12
3.1.1	<i>Definition of a brand</i>	<i>12</i>
3.1.2	<i>Brand equity</i>	<i>14</i>
3.1.3	<i>Brand equity models.....</i>	<i>17</i>
3.1.4	<i>Brand Resonance Model.....</i>	<i>18</i>
3.1.5	<i>Aaker's Brand Equity model.....</i>	<i>22</i>
3.1.6	<i>Strategies for successful brand building.....</i>	<i>26</i>
3.1.7	<i>Branding strategies.....</i>	<i>26</i>
3.1.8	<i>Innovation strategies</i>	<i>27</i>
3.1.9	<i>Globalizations strategies</i>	<i>28</i>
3.2	Supplier relationship management.....	29
3.2.1	<i>Background</i>	<i>30</i>
3.2.2	<i>Requirements of a supplier</i>	<i>35</i>
3.2.3	<i>Complexity in supplier relationship.....</i>	<i>36</i>
3.2.4	<i>Adaptations.....</i>	<i>38</i>
3.2.5	<i>Mutual trust.....</i>	<i>39</i>
3.2.6	<i>Important aspect in a relationship: power and dependence.....</i>	<i>40</i>
3.2.7	<i>Evaluation of the relationship</i>	<i>41</i>
3.2.8	<i>Buyers brand effect to the supplier relationship</i>	<i>44</i>
3.3	Summary – How to develop the brand in a new supplier relationship	45
4	ESTABLISHING A SUPPLIER RELATIONSHIP BETWEEN COMPANY X AND THE OEM'S.....	49
4.1	Background of the branch	49
4.2	Company presentation	50
4.3	Background of the selected the OEM's.....	51
5	DISCUSSION	52

6	CONCLUSIONS	52
	References	53
	Appendix 1	55

1 INTRODUCTION

1.1 Statement of the problem

The brand and supplier relationships are the areas that have assumed strategic significance in today's business-to-business world. In every business area there are several brands that offer similar products or services and compete of the same customer base and at the same time also against each other. In the global networked business environment, the effective relationship management is essential to the survival and success of the enterprise; however, acquiring and maintaining profitable supply chain relationships is becoming increasingly difficult. Every brand is a story of success and every brand has a own story which reflects on the other hand buyer's and also end-customer's experience. As well a successful B2B marketing involves the management of the supplier relationships. There are strong existing brands and a limited quantity of buyer's in the B2B environment in the business are which this thesis covers.

The problem is how to develop the brand in a new supplier relationship context. Interesting point in this thesis and the business which this thesis is investigating is that one brand has almost solely dominated the Finnish market. The commissioner of this thesis has succeeded to start this brand development already in Finland but now they would like to know how to adapt this model to the other countries as well. Therefore it is interesting to know which are the factors that might support or prevent building the brand in Finland. From the supplier relationship point of view, I am investigating the factors that affect on the relationship.

This thesis is made on B2B environment and it concerns products. The commissioner represents the supplier in the relationship and I have interviewed the buyer's in the empirical part. The buyer's, later mentioned as the OEM's (original equipment manufacturer has design and production located in Finland.

1.2 Background and need

The business which this thesis is investigating is purely concentrating on leisure time. Finland is one of the world's largest and also prestigious manufacturers in this business. Before other Nordic countries were also successful in this business area but this economic downturn forced many manufacturers to close the production or move it to the cheaper workforce countries such as Baltic countries or Poland. The main reason why Finland has succeeded to keep its position in this challenging business environment is that the Finnish manufacturers are not only producing premium products but also including high quality with the famous and prestigious brands. The OEM's brands are well known of their quality, exclusivity, cutting-edge technology and excellent customer experience. This thesis is investigating three pretty similar manufacturers which are all producing pretty similar products for the same end-customer segment. Almost 80% of their yearly production goes to export and the main export markets are Nordic countries as well as Mediterranean countries. The product which the commissioner for this thesis is representing is only a part of these three OEM's product but a significant part for both OEM and end-customer.

The commissioner's brand has globally only two competitor's which are offering similar type of sales, marketing and after-sales support as the commissioner does. Both competitors' has also strong brands in Finland. Especially the other competitor has created a strong brand and status in the Finnish market; their brand is very often seen as a standard option and they have been dominating the market for the past 20 years. This is mainly because the other competitors lack of suitable products to offer for the OEM's. Mainly due to the market evolution which started in 2012 the OEM's were interested to find other considerable supplier which could offer added value for them and their end-customer. In the past the commissioner had started the relationship with these OEM's but due to the missing product never actualized their relationship. The commissioner launched a new product in autumn 2013 and at the same time they saw a strong potential to grow their business in this customer segment.

The need for this thesis is to understand how to build a stable supplier relationship and how to develop brand equity in that relationship. The commissioner has also other brands and sales channels in which they have succeeded in launching and branding globally. They are market leaders with their other brands and now they want to understand how to become a market leader as well in this particular product segment and especially in the OEM segment.

2 RESEARCH DESIGN

2.1 Purpose of the thesis

The overall purpose of this thesis is to understand and explain the brand and brand equity affect in a new supplier relationship. The key issue of this thesis is to understand branding and brand management in the Finnish market as well as to understand how to develop a brand in a supplier relationship. The thesis comprises a theoretical framework with concepts and models overview. The empirical part introduces the outcome from the OEM's interviews are evaluated from the commissioner's perspective. These findings will help the commissioner to understand the value of the brand in a supplier relationship and also how the relationship and the brand should be developed. The purpose of the empirical thesis is also to give guidelines to the commissioner's branch offices how to start a new brand project and overall relationship with the OEM.

The commissioner is an international company which has a branch office in Finland. The company's business is related to the leisure time. The commissioner is manufacturer for several different brands which they have branded earlier. The purpose is to understand how to launch a new brand in the Finnish market in a certain customer segment. In this thesis we are not discussing about totally new brand while the main brand behind this brand which this thesis cover has existed nearly 80 years in both globally and Finnish market. We are investigating a product line which is established just recently in Fin-

land and also in global market and which the commissioner introduces to be the highest growth opportunity.

The commissioner has named three OEM's which all are seen as a strategically important customers for the company. The conjunctive factor for all the OEM's is that they have traditionally been remarkable customers for the main competitor of the commissioner but all have shown a growing interest to find another considerable supplier.

The theory was subjected through case study in the context of the brand and brand equity together with the supplier relationship.

2.2 Research questions

As mentioned in the purpose of the thesis chapter, this thesis should answer to the question how to develop the brand in a new supplier relationship.

The purpose is to find out the answers to the following research questions:

- 1) What has been the starting point before this brand has entered to the market?
How you saw this brand in the past?
- 2) How have the brand and the relationship developed? Which factors have contributed to this relationship development and why?
- 3) How do you expect that the brand and the supplier relationship will develop in the future?

2.3 Methodology and structure

The theoretical framework is an important foundation for this thesis. For the literature review I have used a range of reliable and relevant sources on brand management, brand equity, supplier relationship, business marketing and marketing management. The secondary data is searched from the academic books and magazines as well as from the reliable internet sources.

The method which is used in this thesis in the empirical part is case study methodology. That supports the empirical part and the purpose of this thesis. The case study method is used when presenting the findings. Personal interviews are used in collecting the primary data. According to Yin (2014 p.2) case study research is one of the several forms of the social science research. This methodology is suitable in situations where the main research questions are how and why, when the researcher has little or no control over behavioral events and the focus of the thesis is a contemporary phenomenon. (Yin 2014 p. 2) A case study can provide a good guideline for further analysis and it is seen to provide a good insight of the business operations. Yin also mentions that case study allows focusing on the case and the cases are usually therefore concrete and highly capable of contributing simultaneously.

Case study is often seen also as a description of an actual case which commonly involves a decision, challenge, opportunity, problem or an issue faced by the persons in the organization. Yin has also listed five factors of an exemplary of a case study methodology:

- 1) The case study is significant: the individual case is unusual and of general public interest and/or the underlying issues are important
- 2) The case study is complete: the complete case in one in which the boundaries of the case are explicit
- 3) The case study is considering alternative perspectives: the researcher must consider rival propositions and perspectives and the evidence in terms of these rivals should be analyzed
- 4) The case study displays sufficient evidence: evidence must be presented neutrally with supporting and challenging data so that an independent judgment can be reached
- 5) The case study is composed in an engaging manner: for written reports this means a clear writing style that entices the reader to continue reading

(Yin 2014 p. 201)

For developing this thesis I interviewed the three strategic OEM's which the commissioner had named. All the respondents were CEO's in these OEM's and the interviews were based on the topics that include issues from the theoretical framework. All interviews were made face-to-face and the discussions around the subject continued to telephone calls and emails.

The structure of this thesis consists of the theoretical framework and the empirical research. Theoretical part of this thesis is investigating the brand and the supplier relationship. It also provides the key elements of how a successful brand and supplier relationship is build and also introduces the models that can be utilized in the empirical part. The strategic framework which has been used for this thesis is introduced and explained in the theoretical part. The theoretical part introduces the most common evaluation models that are used in the brand management and also introduces the supplier segmentation. The brand models which are used in this thesis are Aaker's brand equity model (1991) and Keller's brand resonance model (2003).

The empirical part of this thesis involves an evaluation of the brand and the supplier relationship models based on their relevance for the commissioner. This evaluation is based on the outcome of the commissioner interviews. The focus is to identify which are the tools how a supplier is segmented and understand the different brand models in order to commissioner to understand how they have succeeded in launching a new brand and establishing a new supplier relationship. The empirical part of this thesis includes discussions with the commissioner's managers and also an application of the theoretical framework to this action research.

3 THEORETICAL FRAMEWORK

3.1 Brand management

A well-developed supplier relationship can provide competitive advantage, growth and brand development in the both parties organization. It can also reduce costs, improve efficiency and effectiveness; it is more organization wide philosophy that needs to be embraced by all if it's to deliver these benefits. (O'Brien 2014 p. 38). Almost everything is nowadays branded and strong brands which are able to sustain it in new markets as well as in economic downturns survive. A brand is more than just a logo and innovations need to be branded but what is a definition of brand?

3.1.1 Definition of a brand

The term brand has been defined differently several times by different persons and organizations. The American Marketing Association defines brand as following: "A name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of the other sellers. A brand may identify one item, a family of items or all items of that seller (Gorchels 2012 p.284). Other brand guru, Kevin Lane Keller (2012, p.265) defines that "A brand is a name, term, sign, symbol or design or a combination of them intended to identify the goods or service of one seller or group of sellers and to differentiate them from those of competitors" (Kotler and Keller 2012 p. 263) Titans of Branding book mentions concisely that a brand is the entire set of images, ideas, activities and symbols that catapults a product from being only a commodity. (Lindberg-Repo et al. 2009 p. 5) A brand also identifies the maker, simplifies the product handling, organizes accounting and offers legal protection. A brand is seen as one of the most valuable intangible assets of a company and building a brand requires planning, long-term commitment and creatively designed and executed marketing.

Building a brand is more than just creating awareness of the company's name and customer promise. According Kotler (2006 p.3) "It is a voyage of building a corporate

should and infectiously communicating it inside and outside the company to all your partners, so that your customers truly get what your brand promises.” This thesis concentrates only on the B2B brand management where the main differences are that in B2B market there is significantly fewer potential customers but volumes per customer are usually larger and that the supplier relationships are closer and long-lasting relationships. Most of the people think that branding is only important for B2C companies but branding is relevant for B2B companies as well. Good examples are perhaps world’s strongest brands like Intel, Microsoft, FedEx and Boeing. Philip Kotler (2006 p.3) introduces brand management purpose following:

They facilitate the identification of products, services and businesses as well as differentiate them from the competition. They are an effective and compelling means to communicate the benefits and value a product or service can provide. They are a guarantee of quality, origin and performance, thereby increasing the perceived value to the customer and reducing the risk and complexity involved in the buying decision.

(Kotler 2006 p.3)

Brands are also increasingly important for the companies in almost every industry as the explosion of choices exists in every area. Kotler mentions (2006 p.4) that brand are in most cases emotional, it has personality and it captures the hearts and minds of its customers. Kotler continues (2006 p.4) that great brands survive from the competitor’s attacks and changing market trends mainly because of the strong connections which they forge with their customers. Kotler (2006 p.4) reminds that brands reach also all stakeholders that organization has such as investors, employees, partners and suppliers. Kotler (2006 p.5) defines that a brand is an intangible concept. Kotler (2006 p.5) has listed that together with the tangible marketing communications elements such as advertising, logos etc. brand is also a promise and totality of perceptions. A brand also holds a distinctive position in customer’s minds based on past experiences, associations and future expectations. According Kotler (2006 p.5) a brand is a short-cut of attributes, benefits, beliefs and values that differentiate, reduce complexity and simplify the decision-making process. In order to create and maintain the sustainable competitive advantage which a brand can offer, organizations need to concentrate their resources, structure and

strategy around brand. A strong brand can provide more effectiveness, efficiency and competitive advantage across the operations.

A good example of successful branding is Intel which decided in 1989 to brand their processors. Intel decided to concentrate on end-customers because of accelerating pace of technological change and constant sales growth. But already then they noticed that establishing a brand is the only way of staying ahead of their competitors. And nowadays Intel is having almost an unbeatable competitive advantage. (Kotler 2006 p. 12)

The complexity in the B2B market is also the purchasing process where both organizations (supplier and buyer) has own product or service which they create, produce and also develop and market. In this thesis I concentrate only on the products as that what the commissioner's organization is mainly offering. In this business market, it is necessary but not automatically preferred to have a close supplier relationships. On the other hand the assumption has been that buying firms will only engage in close supplier relationship in case they expect to receive a higher value from the relational exchange. O'Brien (2014 p.221) mentions that certain supplier can contribute significant value to an organization that will help in creating and growing brand equity.

3.1.2 Brand equity

Brand equity is perhaps the most important marketing concept. The term and definition came during the late 1980s when markets start to understand the idea that brand names add value to a product. Since that the importance of conceptualizing, measuring, and managing brand equity has grown rapidly. This growth has resulted several different points of the dimensions of brand equity, the factors which influence on it and the ways how to measure it. Most of the dimensions and measurement are based upon the following definition; the added value with which a given brand endows a product. (Rosenbaum-Elliott et al. 2011, p.90) Other good description is from O'Brien who describes brand equity as following:

“Brand equity is the value that a specific brand can hold when consumers believe the brand's offerings are better than others and choose it in preference.”

(O'Brien 2014 p. 30)

This is a good description which summarizes the definition of brand equity. On the other hand O'Brien (2014 p.30) also mentions that Neumeier has described that "the brand equity can be one of the most valuable assets of the company and that a good brand can help business to grow market share, increase profit and establish long-term revenues through customer loyalty" (O'Brien 2014 p.30) These are both very good definitions and excellent examples of how organizations have started to understand the importance of the proper supplier relationship. Other good description is Kotler's and Keller's (2012 p.265) definition that brand equity is the added value endowed on products and services which may be reflected in the way consumers think, feel and act with respect to the brand. Brand equity is the financial value of a brand which provides capital and value to products and services. Brand equity is related to the future returns that customers generate to the product or service. Developed brand assets in the past, enable the brand to leverage its strength and should deliver future value to the brand. Hence brand equity fulfils a connecting role as it connects the past to the future. (Kotler and Keller 2012 p.266)

Brand equity is important to analyze in order to utilize the brand to its full potential. A market share is though a parameter for identifying the brand performance where it is important also to understand the relationship between the market share and the brand equity. They don't always follow each other but they vary from market to market based on the different factors. (Lindberg-Repo et al. 2009 p.91) Below figure shows that the ideal place would be on the box with a strong equity and a strong market share. There might also be companies which have high brand equity but low market share where there might be weak distribution channels or that they don't have right product to a certain market. On the other hand strong brand equity can also have low market share or weak brand but a strong market share. In these cases the brand is in volatile position where the situation can change due changing competitors or market situation. (Lindberg-Repo et al. 2009 p.91-92)

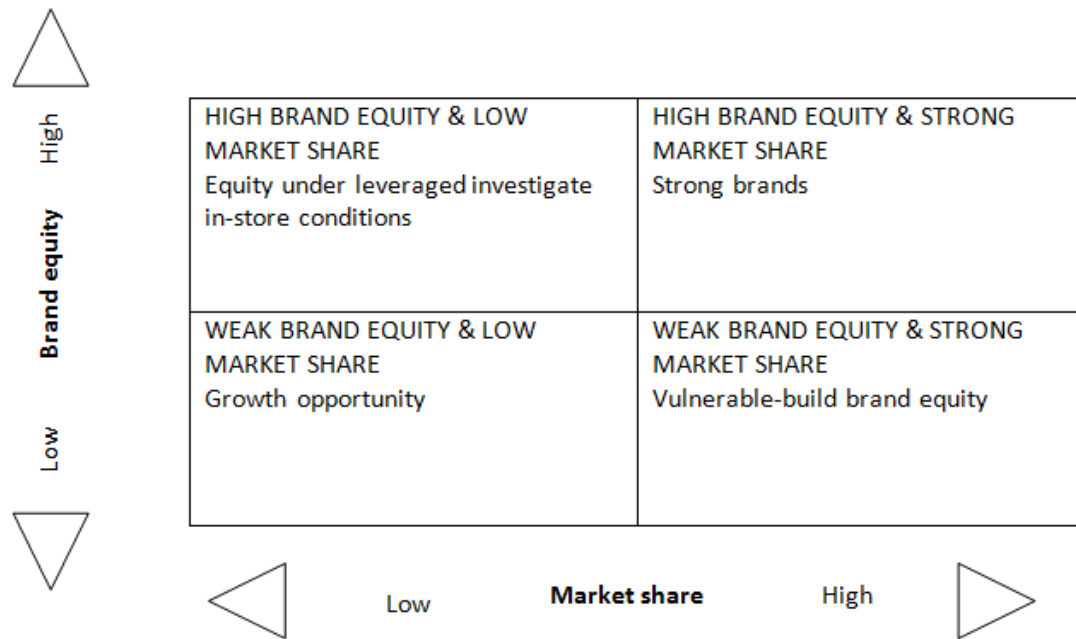


Figure 1 Brand equity vs. market share where the ideal place is on the box with a strong equity and a strong market share. (Lindberg-Repo et al. 2009 p.91)

Lindberg et al. (2009 p.92) quoted Professor Jagdish Sheth that every time the brand equity is analyzed and brought down to small details, the brand equity is primarily quality assurance. In case customer purchases a product again and again the relationship will be consistent. However the best brands are the ones that give people a pleasant surprise, in other words the brands that give the wow factor. (Lindberg-Repo et al. 2009, p. 92) Strong brands can improve market share and margins as well as help with incremental cash flow. Strong brands such as Coca-Cola, IBM and Google has retained their strong positions and proved that they are unaffected by global crises mainly with help at high brand equity (Lindberg-Repo 2009 p. 96). Lindberg et al. (2009 p.96) has quoted Professor David Aaker who has stated that

Brand building is really important, especially for service companies

It is also important to notice that the companies are investigating a lot to build up and protect a brand they have created. Brand is the company's most valuable asset. (Lindberg-Repo et al. 2009 p. 96) Here a good supplier relationship should be also being seen as a tool in order to build and protect the brand. A supplier should be seen as a partner that helps the organization to build up a brand and also a partner that can help the de-

velopment of the competitive edge or in the best cases even an entire brand identity. Brand equity is created where the suppliers can help the organization to create differentiators or something that gives a competitive advantage. This can be e.g. working with the supplier to reduce cost through entire supply chain and further grow gross margin and improve price position or where the brand can be combined with supplier's brand. A collaborative supplier relationship is established when both parties are truly interested and want to put additional effort in making the relationship to work and actually follow through to make it work. (O'Brien 2014 p.30) Sometimes the supplier relationships can develop to closer which affords both parties to grow their business and also improve margin, price position and marketplace. It is tough recommended that organizations should not become too dependent of a certain supplier as that might increase the buyer's risk from the business point of view. (O'Brien 2014 p.30)

3.1.3 Brand equity models

Brand equity needs to be measured in order it can be identified well. The two most influential professors who have researched brand equity are Professor's Aaker and Keller. According Keller (2012 p.267) brand can be measured that where the brand has been and where it is now. Keller (2012 p.267) introduces four different models for brand equity models: Brand Asset Valuator model, Aaker's brand equity model, BRANDZ model and Brand Resonance model. This thesis concentrates on two models, Keller's Brand Resonance model and Aaker's brand equity model.

Keller defines in his brand resonance model the consumer-based brand equity (CBBE) as the differential effect of the brand knowledge on consumer response to the marketing of the brand. (Keller 2003 p. 45) Keller's brand resonance model (2003) is made up of five different dimensions: quality, preference, social influence, sustainability and leadership. Other remarkable researcher Aaker (1991) defines the brand equity as a set of the brand assets and liabilities linked to a brand, its name and symbol which add or subtract from the value provided by a product or service to a company and/or to that firm's

customers. (Aaker 1991 p. 267) Both these models are introduced more exact in chapters 3.1.4 and 3.1.5.

3.1.4 Brand Resonance Model

The other brand equity model which I use in this thesis is the Keller's brand resonance model which is also known as consumer-based brand equity (CBBE). According to this model in order to build a strong brand company must shape how customers think and feel about the product or service. (Keller 2003 p.45) Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds strong, favorable and unique brand associations in memory. Right type of experiences needs to be built around the brand so that customers can have a specific, positive thoughts, feelings, beliefs, opinions and perceptions about it. (Keller 2003 p.45) According Keller (2003 p.46) when you have a strong brand equity, your customers will buy more from you, they will recommend you to other people, they are more loyal and you are less likely to lose them to your competitors. Keller (2003 p.46) mentions that it is important for the brand manager and the strategist that responses are positive and come to mind when a consumer thinks about the brand. Keller (2003 p.46) has reviewed this model as following:

The length of time to build a strong brand will be directly proportional to the amount of time it takes to create sufficient awareness and understanding so that firmly held and felt beliefs and attitudes about the brand are formed that can serve as the foundation for brand equity

Keller (2003 p.47-48) has introduced a model that views the brand building as an ascending from bottom to top. The steps in this model are:

1. Ensuring identification of the brand with the customers and an association of the brand in customers' minds with a specific product class or customer need
2. Establishing the totality of the brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations
3. Eliciting the proper customer responses in terms of brand-related judgment and feelings

4. Converting the brand response to create an intense, active loyalty relationship between the customers and the brand

According to this model, enacting the four steps involves establishing six “brand building blocks” with customers. (Keller 2003 p.261) These brand building blocks can be assembled in terms of a brand pyramid from the bottom to the top. According this model it ensures customers to identify the brand and associate it with a specific product or need. (Kotler and Keller 2012 p.270) It also establishes the brand definition in the customer’s minds by strategically linking a host of tangible and intangible associations. According Kotler (2012 p.268) this model also finds out the customer responses in terms of the brand related judgment and feeling as well as it converts customer’s brand response to an intense, in other words active loyalty.

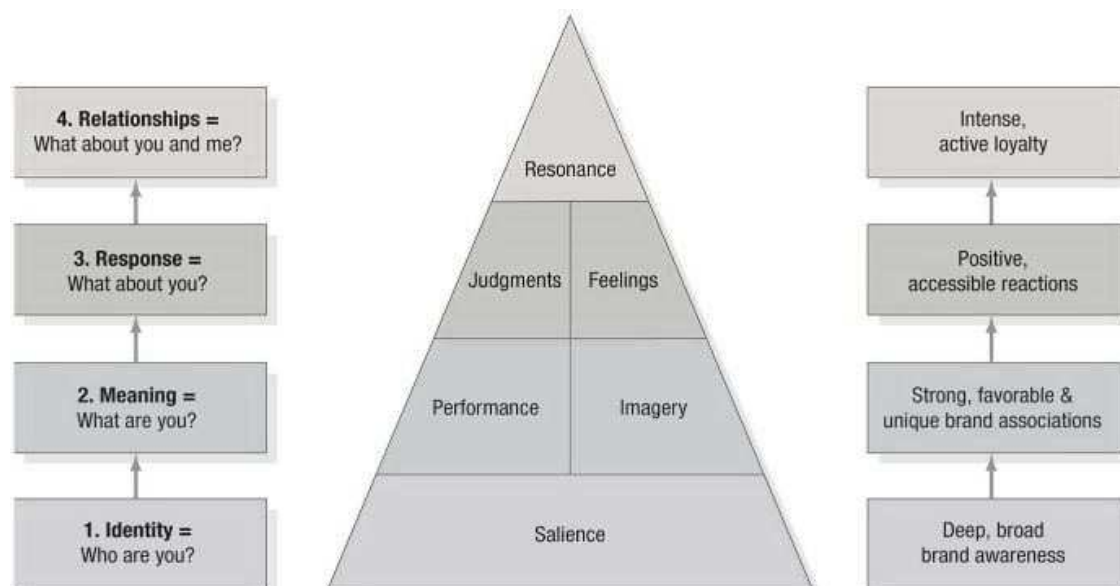


Figure 2 Brand resonance pyramid (Kotler and Keller 2012 p. 271)

The model emphasizes the duality of the brands—the rational route to the brand building is the left-hand side of the pyramid, whereas the emotional route is on the right-hand side. The creation of significant brand equity involves reaching the top or pinnacle of the brand pyramid and it will occur only if the right building blocks are put into place.

(Keller 2003 p. 263) Brand resonance pyramid can be identified starting from the bottom:

- Salience: how often and easily the brand is evoked under various purchase or consumption situations. Salience is the identity and it answers to question who are you
 - Performance: how the product or service meets customers' functional needs
 - Imagery: deals with the external properties of the product or service, including also the ways how a brand attempts to meet customer's psychological and social demand
- ➔ Performance and imagery are the meaning and the answer to question who you are.
- Judgment: focus on the customer's own personal opinions and evaluations
 - Feeling: customer's emotional responses and reactions with respect to the brand
- ➔ Judgment and Feeling are response and answering to question what about you
- Resonance: refers to the nature of the relationship that customers have with the brand. This is about relationships and answers to question what about you and me

(Kotler and Keller 2012 p. 270-271)

Salience is a tactic to identify the brand as it is sign to measure awareness of the brand. The salience becomes actual when establishing the identity of the brand. It is important to understand the importance of the brand in this stage and how critical it really is. The importance is directly related to the organizations awareness and it further translates importance to marketing and other public relations.(Keller 2003 p. 264) The second block which Keller mentions (2003 p.264) deals with giving meaning to the brand. In second block Keller (2003 p.264) introduces two building blocks, brand performance and brand imagery. Brand performance is the way the product or service attempts to

meet the consumer's functional needs and it has also a major influence on how consumers experience a brand as well as what the brand owner and others say about the brand. It is the methods to create the brand meaning. (Keller 2003 p.265) Keller (2003 p. 266) identifies five areas which need to be communicated; primary ingredients and supplementary features, product reliability, durability and serviceability, service effectiveness, efficiency and empathy, style and design and finally the price.

In this Keller's brand resonance model brand imagery deals with the way in which the brand attempts to meet the customers' psychological and social needs. It is the intangible aspects of a brand that consumers pick up because it fits to their demographic profile or has a psychological appeal in that it matches their outlook on life. (Keller 2003 p.267) It is also formed by the associations of usage or via personality traits; on the other hand brand imagery is also the perception of the company by the public and therefore imagery refers often more the intangible aspects of the brand. (Keller 2003 p. 267)

The third block which Keller has in his brand resonance pyramid is brand judgments and brand feelings. Keller (2003 p. 270) mentions that "Brand judgments are customers' personal opinions about the brand or evaluations of the brand." Judgments about a brand emerge from a consumer pulling together the different performance and imagery associations. These judgments combine into a consumer's opinion of a brand and whilst there are multiple judgments that an individual can make, Keller (2003 p.270) believes there are four factors that companies must pay attention to in their brand-building efforts. They are the perceived quality of the brand; brand credibility, brand consideration and brand superiority. Maintaining brand judgement is particularly important when a company embarks on the brand extension as what counted as quality, credibility, consideration and superiority in one market as the brand extends its product line and market reach. (Keller 2003 p.271) Whereas brand judgments can be fairly logical, the brand feelings are consumers' emotional responses to the brand. Keller (2003 p.272-273) identifies six brand-building feelings which he regards as an important emotions that a consumer can have towards to the brand, namely warmth, fun, excitement, security, social approval and self-respect.

The first three feelings are experiential and immediate. These increase in the level of the intensity whilst the latter three are private and enduring and increasing in the level of the gravity. These responses are likely to come together in different combinations for individual consumers and the distinct brands they are relating to. (Keller 2003 p.273)

The final block covers the consumer's relationship with the brand which Keller (2003 p. 274) has named as a brand resonance. This block focuses on the final relationship and the level of the customer's identification with the brand. Resonance is characterized by the intensity of the psychological bond that customers have with the brand and their level of the engagement. The challenge here is to develop the bond and increase the number of the interactions by getting the customers to repeat purchases of a product or service. (Keller 2003 p.274) As Keller (2003 p. 274) suggests this can happen through the development of marketing which can completely satisfy all the customer needs and provides them with a sense of community built around the brand.

3.1.5 Aaker's Brand Equity model

The other model which this thesis is using is Aaker's (1991) Brand Equity model. This model views the brand equity as a set of five categories of the brand assets and the liabilities. These categories are linked to a brand that adds or subtracts from the value provided by a product or service to a firm and further to that firm's customers.

Aaker (1991, p.19) formed his brand equity model around the five categories of the brand assets:

1. Loyalty measures; price premium and satisfaction/ loyalty
2. Perceived quality/ Leadership measures; Perceived quality and leadership
3. Associations/ Differentiation measures; perceived value, brand personality and organizational associations
4. Awareness measures; brand awareness
5. Market behavior measures; market share and price and distribution indices

Aaker (1991 p. 269-270) determines the five categories as the main determinants of the brand equity which deliver the positive or the negative value to the customer and the organization. According to this model a particularly important concept for building the brand equity is the brand identity—a unique set of the brand associations that represent what the brand stands for and promises to the customers. Each category can be seen as a brand asset that creates a value. It is vital to understand the source that creates the value and the way it creates it. (Aaker 1991 p.19-21)

According Aaker (1991 p. 19) loyalty is the core dimension of the brand equity. The loyal customer base represents a barrier to entry, a basis for premium as well as a time to respond to the competitor's innovations. Aaker (1991 p.19) continues that the loyalty is a sufficient importance that other parties' measure and it is similar to perceived quality and associations. A basic indicator of loyalty is the amount of customer's who will pay for the brand in a comparison with another brand (or set of comparison brands) offering the similar benefits. Aaker (1991 p.30) mentions that in measuring the price premium it is useful to segment the market by loyalty. E.g. the market can be divided into loyal buyers, brand switchers and non-customers. Each group has very different perspective on the equity of the reference brand. (Aaker 1991 p.30) Aaker (1991 p. 39-41) mentions that the direct measure of the customer satisfaction can be applied to existing customers, who might be defined as those who have used the product or service within a certain timeframe such as the last year. Customer satisfaction is a powerful measurement tool especially in services. (Aaker 1991 p. 39-41)

Perceived quality is an association that is usually central to the brand equity as it is the core construct when it comes to measuring the brand equity.(Aaker 1991 p.85) According Aaker (1991 p. 20) the perceived quality has been shown to be associated with the price premiums, price elasticity's, brand usage as well as stock return. Further Aaker (1991 p. 20) states that it is highly associated with other key brand equity measures including specific functional benefit variables. According Aaker's brand equity model the brand equity can be seen as an outcome of the long-term marketing efforts which are operated to build a sustainable and differential advantage relative to the competitors.

(Aaker 1991 p.86) Aaker (1991 p.86) mentions that any marketing actions will affect on the customers brand knowledge. Advertising is usually the most popular marketing activities as it can create long-term brand image for a product or service. The other construct is a leadership which has three dimensions: it reflects in part the No. 1 syndrome. This logic states that if enough customers are buying into the brand concept to make it the sales leader it must have merit. (Aaker 1991 p.86-88) As a second aspect Aaker (1991 p.88) rises that the leadership can also tap innovation within a product or service whether a brand is moving ahead technologically. Thirdly leadership taps the dynamics of a customer acceptance, reflecting the fact that people want to be on the bandwagon and are uneasy going against the flow. (Aaker, 1991 p. 20)

As a third in the brand asset category is the associations and differentiation measures. These are usually involved with the image dimensions which are unique to the product or service. As per this Aaker's brand equity model the brand identity is consisting of 12 dimensions organized around four perspectives:

1. Brand-as-product (product scope, product attributes, quality/value, usage, users and country of origin)
2. Brand-as-organization (organizational attributes and local vs. global)
3. Brand-as-person (brand personality and brand-customer relationships)
4. Brand-as-symbol (visual imagery/metaphors and brand heritage)

(Aaker 1997 p. 347-350)

Differentiation is a bottom line for the brand as otherwise it would be difficult to support the price premium or expecting a price that is having an attractive margin. The measurements of differentiation are that the brand is different from the competitors but the brand is basically the same as the competitors have. (Aaker 1991 p. 114) Aaker (1991 p.114) mentions that building a brand must start from the differentiation.

Brand awareness is as well an important component when it comes to the brand equity. According Aaker (1991 p.114) awareness can affect the perceptions and the attitudes

and even on the brand choice and loyalty. There are different levels of the awareness which include recognition, recall, top-of-mind, brand dominance, brand knowledge and brand opinion. (Aaker 1991 p. 115) As for the new brands recognition is important but for already known brands recall and top-of-mind are more important levels.

Aaker (1991 p.115) mentions that all other measurements require a survey except market behavior. A brand performance measures do not need surveys but they are measured differentially. E.g. market share which states how well the brand has performed in sales. A market share provides a good tool to understand where the brand is standing with the customers. When the brand equity is improved, the market share should respond. The problem with the market share is that they are usually short-term strategies and in that way doesn't support the brand equity. (Aaker 1991 p.115) Together with market share it is important to measure the relative market price which the brand is holding. Aaker (1991 p.116) mentions that

The relative market price could be defined as the average price at which the brand was sold during the month divided by the average price at which all brands in that product class were sold

As well distribution coverage cannot be measured by surveys but it can be measured by the percentage of the stores carrying the brand or the percentage of people who access to it. Aaker's brand equity model (1991) also conceptualizes the brand identity as including a core and an extended identity. The core identity is most likely to remain constant as the brand travels to the new markets and products. The extended identity includes various brand identity elements, organized into cohesive and meaningful groups. Aaker (1991 p.117) summarizes his brand equity model that every measure has a diagnostic value and that tapping the brand equity ten require dozens of measures. Aaker's brand equity model needs to be created when it is most relevant to the brand or the brand set involved. According Aaker (1991 p.119) the two approaches can be employed. First, a group of managers could engage in a series of the exercises addressing the four issues outlined above. Secondly the data on the brand equity dimensions could be used to determine what elements are the drivers of the key objectives such as price

premium, market share, or profitability. (Aaker 1991 p. 119) Measurement data should always be adapted to include brand specific information and particularly, the associations or differentiation sections should consider brand-specific elements. Functional benefits, brand personality measures, and organizations can all be tailored to a brand context. (Aaker 1991 p. 119)

3.1.6 Strategies for successful brand building

Building a brand requires always a long-term strategy and it must ascertain the business environment based on the diverse possible contingencies as well as lead the market (Lindberg-Repo et al. 2009 p. 69) In most cases the market leader is the dominant in its industry and it has a remarkable market share. The new brand must offer a better solution for the customer and the product or service delivery should be an implementation of the brand's promise of value delivery in order to succeed in a new market. In other words, in case the company wants to be a market leader, the company must develop new business strategies together with the new products and services. A strategic model can be based on BIG pillars which state for branding, innovation and globalization. Companies which are interested in a long-term success must create the most rewarding, personalized brand experience as possible. (Lindberg-Repo et al. 2009 p. 72)

3.1.7 Branding strategies

A branding strategy starts with building a trust. It is the management promises that create the trust and reliability. These are the factors that separate the brand from the competitor's brands. Building a trust takes time and customer's experiences. As well all the time changing technology seems to be the brand nowadays. Every brand is competing to develop better technology while the technological developments have to move a long way in deciding the brand image of the companies (Lindberg-Repo et al. 2009 p. 75)

A price position is also playing a significant role in the branding strategy. Growing globalization means basically that the whole world is one single market and much

smaller market than what it has used to be. Competing in price is though a critical factor as customer's choice is not only a result of the price positioning but as well a sum of the total function, both emotional and aspiration of the product or service. According Lindberg et al. (2009 p.75) these functions constitutes the basic attributes, an emotion comes from the experience and aspiration is something that the buyer has not experienced but is willing to. Kotler and Keller (2012 p. 270) has also mentioned that at the same time the branding activity success can be assessed by the customer's willingness to buy or not from the premium brand. The process continues further to the loyalty where the loyal buyers will purchase the product or service when they know it is worthwhile even in cases where the price is higher than the competitors.

In a branding strategy country of origin should be used as an advantage. Product has its own image but it also carries impression of the country of origin. Lindberg-Repo et al. (2009 p.83-84) agrees that a certain county of origins seems to have an impact to the brand value even though the world has become more global than what it has used to be. There are though cases where the country of origin acts like a baggage and where it is difficult to change the customer's mind. Risk analysis is as well a crucial part for the branding strategy especially in developing and managing the new brand. A brand can be seen as a tool in reducing the risks as it guarantees the functional performance, acting as a good value for buyer's money and hedging image.

3.1.8 Innovation strategies

Markets are changing all the time to more complex and demanding. Products are difficult to differentiate from the competitors similar products. The buyers are more demanding and expect more from the product customization, newness and quality. Innovation and branding should usually be seen as a complimentary. There is a link between the product innovation, the supply chain management and the service operations (Lindberg-Repo et al. 2009p. 79) These three dimensions in addition to marketing needs to be together. Innovation can therefore been used as a tool for entering the new markets. In

these cases the benefit of having strong brand is that company can decide whether it wants to extend the brand or not to new markets.

Innovations also keep brand in customer's minds and while supplier is waiting for new innovation to be launched it is perfect time to focus on the relationships and find a new ways to build the relationships and get those strengthened. A new innovation can then satisfy the buyer totally new way and the most important keep the relationship going forward and keep it dynamic. (Lindberg-Repo et al 2009 p.80)

3.1.9 Globalizations strategies

According the globalization strategies the new technologies are not only altering the pattern of the concentration ushered in by industrialization but also helping to fuel it. (Lindberg-Repo et al. 2009 p. 81). When it comes to the globalization it is important to manage the customers as due to the globalization, customers are more exposed to global brand promises than previously. The flattened markets and the free flow of the information have forced suppliers to include the new innovations in their branding strategies to address the customer above the global brand promises. (Lindberg-Repo et al 2009 p. 81)

In a globalization it is also important to understand the localization and manage the internal branding. What works in some markets doesn't necessary work in other markets as well. It is therefore important that when the multinational companies enter to a new market and country, they use local people as well as allow flexibility so that branding can be suitably adapted. (Lindberg-Repo et al. 2009 p. 83) Good examples of such multinational brands which have succeeded in localization are Coca-Cola and McDonald's. In the globalization strategy there is also a vital task to remember that the global brands must be able to modify to correspond the customer's expectations. Customer expectations are very important as the product or service and the brand symbolize the competency of the producer but the brand identity should be the same regardless of the market

or country. Experiential outreach requires though localization in order to relate more closely to the customer. (Lindberg-Repo et al.2009 p.83)

3.2 Supplier relationship management

Supplier relationship management can be seen as a one of the most important parts of the supply chain management. Companies buy nowadays more components and services from the suppliers than they used to do in the past. Previously it was more common to produce every product and service internally in the organization but nowadays business is increasingly relying on their suppliers to reduce costs, improve quality and develop new processes and products lifecycle faster. (O'Brien 2014 p.16) In fact, an effective supplier relationship management and improving qualitative and quantitative levels of the suppliers could be a competitive advantage for every company. It seems that the organizations need more from their suppliers and organizational success is more and more linked to the contribution which some of the suppliers can create or make. (O'Brien 2014 p.17) Nowadays it seems that business can't be done without suppliers and therefore the relationship of the suppliers has become one of the most important assets of the organization.

The supplier relationship is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services. (O'Brien 2014 p.20) The goal of the supplier relationship is to streamline and make more effective processes between an enterprise and its suppliers. A well-executed supplier relationship approach can provide competitive advantage, growth and brand development by reducing costs, improving efficiency and effectiveness and reducing the risk from the supply side or at least help to understand it so it can be mitigated. (O'Brien 2014 p.65) However the relationship is not something that can simply be 'bolted on' but it is an organization-wide philosophy that needs to be embraced by all. By this way it can deliver all these benefits and both parties in a relationship can start understanding what a supplier relationship is and how it works in practice. (O'Brien 2014 p.66)

3.2.1 Background

Supplier relationship appeared in the 1960s when the production was moving from mass production to more lean production. It appeared that in order to be able to respond to the customer's changing demand there was a need for the fast delivery of the product to the market as well as at the same time the development of the information technology was remarkable. This resulted that major part of the companies were forced to outsource their organizational activities to appropriate suppliers in order to sustain the market's profit. (O'Brien 2014 p.39-40)

Supplier relationships can vary considerably from each other. On the other hand there are simple deals from a supplier which has a limited number of contracts, products or services and on the other hand there are a large numbers of official suppliers representing a large number of different contracts, products or services. Ford et al. (2010 p.402) mentions that "every business transaction is an interesting phenomenon itself." In the supplier relationships many things can happen between both parties and how the each episode is handled depends first on how complex the episode is and secondly the history of both parties previous relationships. The way the episode is handled will depend largely on the past history. If both parties trust each other the episode will be handled separately than in the case they don't have any previous history. The actions in given situations must not be seen in isolation but must be seen as a big picture of previous occurrences. (Ford et al. 2010 p. 402).

In a supplier relationship each individual transaction needs to be seen in relation to it. In other words, a relationship facilitates individual actions which usually strengthen the relationship. Relationship consists of number of intertwined, interdependent connections at the individual level which further require special efforts to handle (Ford et al. 2010 p. 403) How each episode is structured in relation to the previous is an important factor and important especially in the complex episodes. Complexity of course generates normally uncertainty. The relationships are usually long-term relationships which consist of number of episodes where the complexities have sometimes a protective, strengthen

role. A long-term relationship has its pros and cons and the relationship can be seen as an investment where the resources make it comparable to machinery or equipment which is used for a long time. (Ford et al. 2010 p. 403). The difference between an investment and a cost is that the revenue accruing from them is expected to take different courses in time. Investment is made on one occasion and it is normally expected to provide a return in several periods while the cost is associated with an activity the return on which is expected to come during the same period. (Ford et al. 2010 p. 406)

A long-term relationship is the key element for a successful relationship where there is always a history which is affected by the current situation. Therefore every action should be seen in a time perspective (Ford et al. 2010 p. 406). Costs that the supplier relationship may include can be divided into two groups, contact/ information costs and adaptation costs. At the beginning of the relationship contact and information costs are relatively high as supplier is getting to know the abilities and expertise but they will decrease when relationship develops further. The adaptation costs are usually one-time costs which appear early in the relationship. Both revenues may include rationalization benefits or contributions in order to have a technical development. The relationships have very clearly same factors as investments have. Costs arise in an early stage of the relationship while the revenues accrue over a longer period of time. (Ford et al. 2010 p. 406)

A relationship can also be seen other way with regard to investments where a relationship is a resource which can be taken over. (Ford et al. 2010 p.406) It is also important to maintain the relationship which adds creativity and also brings the positive experiences for both parties. Supplier relationships are always social processes where different types of confidence building activities are playing important role. Naturally it is important to cover all issues which are stated in the agreements and contracts but there must also be space for informal, personal contacts. Overall, it is important to see supplier relationships from all aspects besides cooperation. In a relationship there is always conflicting interests but these conflicts are suppressed and also allowed to surface and then to be handled constructively. (Ford et al. 2010 p. 404)

The role of the supplier relationship management and the supply base has changed during the past decades which suppliers need to answer to satisfy organizations changing needs and expectations. A relationship contains always uncertainty where concerns might handle the future. Supplier relationship has become one of the strategically important factors in a business and there are many types of supplier relationships. As Gadde and Håkansson (2001 p.135) mentions “it appears to be justified to have different types of supplier relationships within one and the same company, since suppliers make different types of capabilities and resources available to the buying firm.” Gadde and Håkansson (2001 p.136) mentions also that the impact of the certain supplier relationships depends on how it fits into the organizations strategy and operations and how the other supplier relationships are affected. The role and the value are not the only factors that evaluate the relationship.

The philosophy of the supplier relationship management emerged around the millennium as a single, overarching strategic approach to bring some order to the different types of the supplier intervention that enabled the firm to reach its goals. (O’Brien 2014 p.39) The concepts of ‘supplier management’, ‘supplier performance measurement’ and ‘supply chain management’ naturally fell under the supplier relationship umbrella as approaches relevant for certain groups of the suppliers. Furthermore, organizations began to recognize that by focusing on developing better relationships with the critical few most important suppliers they could create a huge value from the supply base. Again this became part of the relationship approach for many organizations. In 2010 the world’s first formal standard for supplier collaborative relationships was launched, initially as a British Standard (BS) and then an international standard (ISO) defining, for the first time, a framework for establishing and improving collaborative relationships between organizations enabling firms to achieve internationally recognized accreditation for putting such arrangements in place. (O’Brien 2014 p.40) This perhaps accounts for a general level of confusion regarding what the supplier relationship is and how it adds value.

In the supplier relationship marketing and purchasing can be construed as an exchange process which might lead to both parties adaptive behavior. This can be achieved via the mechanisms of an organizational interaction where at the core is the person-to-person mutual relationship. The interaction model which focuses on the different categories of the variables is affecting to the interaction processes between both parties' individuals as well as formally and informally constituted organizations in both buyer and supplier companies. (Ford et al. 2010 p.262) In this model there are four major groups which provide the framework for description and analysis for a supplier relationship. The groups are following:

- 1) Interaction processes which are involved with the exchanging products, services, information, etc.
- 2) The parties to exchange, comprising individuals, groups and formal organizations
- 3) The economic and market environment surrounding the exchange, and
- 4) The atmosphere which characterize the relationship

(Ford et al. 2010 p. 262)

The interaction model which Ford et al. (2010 p.262) introduces recognizes that person-al contacts initiate, develop and maintain the relationship in case these contacts are used frequently. Interface contacts between the supplier and the buyer are rarely taken the form of simple mutual relationships and therefore it is important to manage the interface between business and customers. (Ford et al. 2010 p.262) Ford et al. (2010 p.262) introduces a customer's decision-making unit (DMU). Figure 1 shows this DMU and its four different types of inter-organizational contacts:

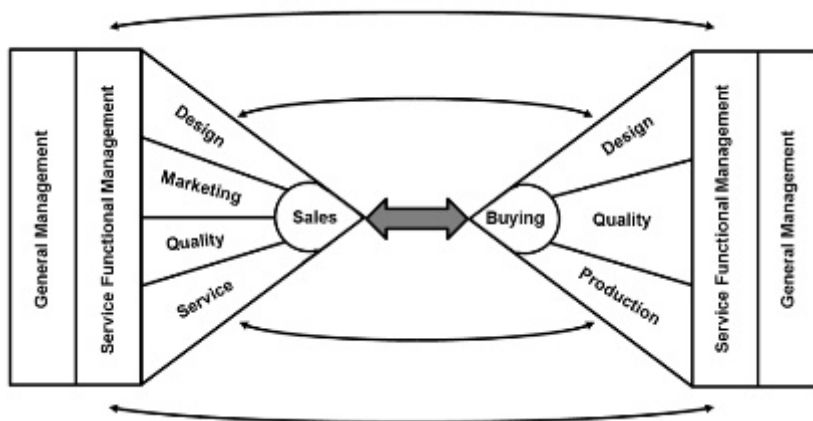


Figure 3 Customer-decision unit model and the interface between parties in a supplier relationship. (Ford et al. 2010 p. 262)

Starting from the middle of the figure, there is a single mutual relationship between the supplier and the buyer where after a series of different inter-functional contacts between different suppliers and buyers and their departments. Relationships are deepened and contacts between senior managers of different departments are opened and finally, contacts between general management of both parties. (Ford et al. 2010 p. 262) From supplier's perspective they can account for a substantial deployment of the scarce and costly human resources but from buyer's point of view these are their instrumental factors in achieving the reduction of the perceived distance between buyer and supplier organizations. (Ford et al. 2010 p. 275) Personal contacts have been seen as a vital role in problem solving and adding social values and creditability. According Ford et al. (2010 p.263) a strong associations between supplier's professional and commercial skills and the extent of the perceived commitment, adaptability and capability might reduce the distance that can exist between the supplier and their customers. In other words the personal contacts are one way to minimalize the distance reduction. Nature of the personal contacts has though changed from the traditional salesman-buyer relationship to more multi-functional contact network. Typical features of this development are limited experience, high uncertainty and low commitment whereas the next stage of the relationship is increasing experience and confidence and perceiving high commitment.

The long-term relationship is usually characterized by interdependence, extensive experience and high resource commitment. Information exchange, assessment, negotiation and adaptation, crisis insurance and social bonding is the roles which serve other roles than those of distance reduction. (Ford et al. 2010 p. 263) These varying roles can be achieved by different forms, structures and patterns. There are eight major groups of factors which characterize a successful relationship between the buyer and the supplier. These are all closely related to the key marketing tasks which supplier must perform in order to be an acceptable supplier. (Ford et al. 2010 p.265) As well following eight characteristics are the main requirements which are most likely to meet customer's demand:

- 1) Customer orientation; supplier must analyze the customer needs, show interest in the customer's problems and be sensitive about the foreign companies
 - 2) Technological expertise; Technical competence in order to be able to offer a new technology and innovative products and ability to solve any technical problem
 - 3) Commercial competence; Ability to provide adequate and speedy responses to requests for information and be able to handle the claims
 - 4) Flexibility and adaptability; willingness to adapt products, processes etc.
 - 5) Supply performance capability; ability to provide reliable delivery, quality assurance, after-sales and information
 - 6) Price competitiveness; Price should represent a good value for the money and include willingness to negotiate on prices
 - 7) Organizational effectiveness; Supplier's organization must be compatible with the customer's needs (marketing, technical support, manufacturing etc.)
 - 8) Social integration; The atmosphere of the whole co-operation, trust, commitment, closeness and legitimate exercise of power
- (Ford et al. 2010, p. 265)

Relationships provide economic benefits through joint operations and adaptations. On the other hand there are also substantial costs involved in developing and maintaining these relationships. It is also important to consider the relationships as a dynamic opportunity and notice that relationships are influenced by variety. The benefit is to take advantage of the particular forms of variety as also at the same time the relationship induces variety in other ways. Each relationship builds unique features, e.g. technical or organizational. There is also a close connection between the relationships and the complexity. (O'Brien 2014 p.57) Close cooperation is usually more complex to handle when it comes to technical, functional and social point of views.

3.2.2 Requirements of a supplier

Organizations should have a confidential relationship with their supplier and also be confident with the supply chain. It is as well important to get close to those suppliers who are seen to be important. This means that the organizations needs to clarify who are the most important suppliers and why, which advantages they bring. Organizations are also demanding greater contribution and therefore the supplier base is a key enabler of a competitive advantage for organizations attempting to find new opportunities in a changing market. (O'Brien 2014 p. 15) O'Brien (2014 p. 15) mentions five C's model as a supplier requirements model which organizations from the supplier base.

O'Brien (2014 p.15-17) explains these five C's as following:

- 1) Clarity: what exactly should be done with these suppliers to unlock value regarding who the suppliers are, how organizations supply chains have been organized and which suppliers are important
- 2) Confidence: to ensure assurance of the supply but also supplier and supply chain capacity and that the controls are right
- 3) Closeness: with the most valuable suppliers this is important; close relationships, coordination between the parties and also collaboration for mutual benefit
- 4) Contribution: the value that suppliers can bring to the business in line with the organizations goals. This is from the order to the suppliers who can contribute to an organizational success, bring creativity and support the process of innovation, new product development and helping to find ways to differentiate
- 5) Collaboration: with the critical few suppliers who can make a difference to the organizations business

A good supplier relationship begins when the organizations identify the specific reasons why they need or want a relationship with certain suppliers. Is there end-customer demand behind, has the market changed or is there a problem that organization needs to solve or does this supplier support organization in achieving corporate goal etc. Organizations needs identify the reason before any supplier relationships can be started. As well to identify what they want, in which timeframe and on which price. (Ford et al. 2010 p.321).

3.2.3 Complexity in supplier relationship

Particular extensive relationships may be highly complex and those require substantial coordination of operations. (Ford et al. 2010 p.404). Unfortunately a seldom used solution is to appoint a specific person to manage this relationship; nowadays in organizations a purchaser fulfils this position but the coordination is not in these cases in the

most effective hands. The complexity of the personal contacts and patterns of communication affects the relationship in deeper level as there is dependence in relation to the way the product or production technology, administration or supply chain in the supplier company work. Ford et al. (2010 p.162) mentions that “All supplier relationships have to be coordinated with regard to the technical and organizational resources of the purchasing firm.” Also the buyer can use relationship to a supplier A in order to affect the third supplier. This can mean that the buyer company can discuss of a certain project with one supplier in order to get other supplier to behave in a certain way, e.g. decrease prices or improve their service level. It is tough more difficult to handle the complexity which is related to a coordination of an individual relationship as there is several ways of implementing the former type of coordination. The complexity in a supplier relationship can be defined that the relationship itself is complex from a technical, organizational and social point of view as such as many different parties are involved. (Ford et al. 2010 p. 405)

Supplier relationships are very important, they are a critical resource. These relationships have a remarkable economic impact as a big part of the companies activities are channeled through these relationships. Both from the technical and the innovative point of view they are important as well as the knowledge possessed by the company encounters other large bodies of knowledge. (Ford et al. 2010 p. 412) A relationship, especially long-term relationship is always based on a human effort and human contacts despite the relationship is built around the product or service. Both parties' needs to continuously develop and take care of the relationship as there is very easily a risk where the other parties can start to think that other party considers that the relationship is not important. Earlier it was mentioned that mutual trust is a basis for a relationship but as important seems to be also honesty. Any sign of dishonesty has a harmful effect for the relationship. All relationships should be seen as important and they should always develop as that is the only way the significant improvements can be achieved. (Ford et al. 2010 p. 413)

3.2.4 Adaptations

According Ford et al. (2010 p.408) adaptations are one of the typical effects that supplier relationship has. It means that a certain supplier is handled in a unique way in order to supplier to give lower prices to the buyer or give the supplier the priority compared to other suppliers. In case all parties are the same level from technical and other elements point of view, adaptations are irrelevant but in case parties differentiate each other it is an advantage to make a unique attribute of its supplier. (Ford et al. 2010 p. 408) In a long-term supplier relationship both parties customize the operations. Many adaptations are conscious and some are even automatically which happens as a result of the complexity. Adaptations should always be handled as otherwise it can either rise to blocks or enable the skills and the development potential to be used as an advantage. Adaptations can also be seen in other dimensions, e.g. product or production technology, knowledge or economic aspects. (Ford et al. 2010 p. 404)

Ford et al. (2010 p. 408) introduces three aspects for an adaptation:

- 1) Description of the various types; technical, knowledge-based, administrative, economic and legal
- 2) Analysis of the adaptations; separate major adaptations from gradual and incremental
- 3) Factors which affect on the demand and the adaptations; mainly factors which are related to the companies and products technological structure

(Ford et al. 2010 p. 408)

There are also many types of adaptations whereas the first, one of the most important is technical types. As both parties normally have their own yards and equipment's with the special technical features, this opens a potential to adapt the technologies and production processes effectively. This is a natural as input products are often the most expensive elements in the whole production. Another significant type is the knowledge-based adaptations where it includes more development issues than on the other types. Both

parties encourage each other to increase other's knowledge of the technology, product etc. In this way there is a possibility that the buyer commits easier and it becomes better in using supplier technology. (Ford et al 2010 p. 408) In a relationship usually the major adaptations are highly visible where both parties see the relationship as a strategically important. The smaller adaptations are handled locally and considered as natural measures to proceed in the relationship. However such adaptations are also remarkable and very often small adaptations have been underestimated.

The need for an adaptation is clearly depending on the both parties features. The need might arise due to the supplier's specific characteristics or due to a unique demand which the buyer sets. As well the need might arise when the both parties create the demand and potential for specific adaptations. Adaptations nature also depends on which type of product is involved as some of the products are routinely adapted while some products appear in standardized versions, e.g. standard components (Ford et al. 2010 p. 409)

3.2.5 Mutual trust

B2B relationships always contain a certain uncertainty while as relationship should provide the security. Each function or characteristic of a product or service is unable to specify or measure in advance but those become visible gradually when the relationship develops. Therefore a relationship needs to provide a certain security. (Ford et al. 2010 p. 410)

As mentioned above, a relationship brings security but it cannot be created in a single occasion. It develops under longer time period, through a process of interactions where a mutual trust can be deepened. A typical example is that two parties test each other through small deals and in case those are passed successfully, they move to more complex deals. It is important to understand and learn the other party well. It is very important to create different types of social situations where the persons involved can see and get to know their counterparties personally and learn their processes and problems.

Ford et al. (2010 p.410) mentions that “personal-contact network is one the most important personnel resources.”

3.2.6 Important aspect in a relationship: power and dependence

Power and dependence are important aspects in a supplier relationship as most important suppliers are usually involved in large volumes. These suppliers also increase both parties significance and that further creates dependence.(Ford et al 2010 p. 410) Common problem with the power-dependence relationships is that they are very seldom symmetrical. They are usually unbalanced when it comes to individual dimensions, e.g. a relationship is more important to other party than the other one. A power-dependence relationship also varies very often with the economic situation. It is though very often difficult to understand what is the best strategy to handle the imbalance questions but awareness of the problems and regular systematic discussions are in key role.

As mentioned earlier mutual trust is a requirement for a long-term relationship, adaptations and joint investments. Significant relationships have conflicts as long as both parties are independent as there will never be identical and same goals. As well there is always a distribution problem where the generated profit which has become from both parties joint work will have to be shared. Therefore the collaboration needs to be continuously developed in order to keep the shared revenues at least at the constant level (Ford et al 2010 p. 412)

It seems that the only possibility to establish and develop a long-term supplier relationship is that all parties involved have the courage to work together on the basis of their own ambitions accepting and also taking into account that their collaborators have different objects of ambitious. (Ford et al. 2010 p. 413) Supplier relationships in the organizations tend to be championed from within the purchasing function and therefore can get viewed by others as purchasing-led initiatives. It follows that the purchasing looks after and is the main interface with the external parties from which it sources. However, for the relationship to have a purpose and to contribute effectively to an organizational

success it requires wider terms of the reference and cross-functional participation. In fact if a supplier relationship initiative is to have any significant impact then it must be an integral component in the way the organization connects its sourcing with the way it satisfies its organizations and the overarching strategy of the firm. (Ford et al. 2010 p.413)

3.2.7 Evaluation of the relationship

Gadde and Håkansson (2001 p. 138) mentions that in case organizations has a few alternative suppliers they can reduce the transaction uncertainty. The organizations should not be locked into a specific relationship despite it offers a suitable technology or service. Also an advantage of having several suppliers encourages suppliers to compete each other and that can affect to e.g. prices or service level positively. Having several suppliers requires a proper management in order to make the best use of these relationships. Managing each supplier is the most appropriate way and using the combined potential contribution from all suppliers is the best way. (Gadde and Håkansson 2001 p.145) One of the managerial issues is the continuous need to monitor the relationships to ensure that the benefits are bigger than the costs. Very often relationships provide substantial benefits but also substantial costs where it is important to asses these costs and benefits. (Gadde and Håkansson 2001 p. 145) Gadde and Håkansson (2001 p.146) introduces an example of Kodak's criteria's for evaluation of relationships. These criteria's can be used in every organization that has more than just one supplier.

Kodak's criteria for evaluation of the relationship:

1. Amount of technical support
2. Number of innovative ideas
3. Supplier's ability to communicate effectively in important issues
4. Flexibility shown by supplier
5. Cycle time, responsiveness and improvements shown
6. Supplier identification with Kodak goals; are our goals common?
7. Level of trust that exists in dealing with the supplier
8. Strength of the relationship at each plant

These kind of evaluations seems to be unfortunately rare and very often organizations tend to enter high-involvement relationships and reduce the supplier base without analyzing the requirements and consequences of these strategic changes. (Gadde and Håkansson 2001 p.146). The most important role that the organization has is to monitor and evaluate the supplier. The most common way is that when the supplier performance is not as good as it has been expected the companies change the suppliers in these cases. To avoid the supplier to underperform the organizations can develop training programs which suppliers are required to follow. It will not only improve the performance or help in short-cycle management but training may also improve the collaboration which further leads into improved performance.

It should be remember that the supplier relationship is always two-sided. It is the buyer and the supplier interaction that determine the performance of relationship.” (Gadde and Håkansson 2001 p. 147) In case the buyer is trying to manage the relationship he must take the supplier’s interest also into consideration. In a supplier relationship buyer needs to take into account suppliers involvement and partnering. Gadde and Håkansson (2001 p.148) describes shortly Quinn’s (1999) opinion where the most critical management issue is to shift the buyer outlook towards managing the desired output from the supplier rather than the suppliers operations. Gadde and Håkansson (2001 p. 148) describes also very similar opinion which Araujo et al. (1999) has stated; the consequences related to the various types of customer intervention in the suppliers operations, particularly how intervention impacts on the resource utilization of the supplier. These opinions represents two different types of customer interfaces; what (the outcome, the freedom how the supplier decide to meet the buyers requirements) and how (operations, the specified interface). There is also third type of interface, interactive interface. (Gadde and Håkansson 2001 p. 148)

A buyer and a supplier jointly develop the specification of the product subject to exchange. (Gadde and Håkansson 2001 p. 148) This type enhances both parties to consid-

er productivity and the benefits which can jointly be developed to other, third parties. A buyer needs variety of different interfaces. Each interface offers different contributions to add productivity and innovation. As a conclusion, changing the interfaces is always two-sided and that the buyer and supplier interface is always the outcome which both parties has together decided regardless of the other suppliers interfaces. (Gadde and Håkansson 2001 p. 150)

A relationship requires an interested supplier and that the suppliers are motivated to enter a supplier relationship and then receive the support to continue to be a resource provider for the buyer. (Gadde and Håkansson 2001 p. 145) Such relationships require continuous and considerable investments from the both buyer and supplier but in order to get the suppliers assistance which buyer needs, this kind of encourage and motivation is important. On the other hand, supplier can always sharpen their operations and truly focus on meeting the buyer's specific demand. By understanding the directions and the needs of a demanding customer, the relationship might lead to new development areas. The most important task which buyer has is to continuously mobilize and motivate suppliers to engage in the relationships. This mobilization and motivation is of course important in the early stages but needs to be active during the relationships total lifetime in order to get the best from the supplier relationship. Gadde and Håkansson (2001 p. 151) mentions an example of companies Caterpillar and Cessna which both companies are using motivational programs. E.g. Caterpillar uses three types of different activities to strengthen the supplier relationships; business simulation game where the buyer and supplier learn to identify the potential benefits, second type is quality assurance and third type is supplier show. (Gadde and Håkansson 2001 p. 151) All these types build up the relationship atmosphere which is important especially in the long-term relationships. These programs and types of program are aimed at developing the trust and commitment on both parties. Trust and commitment together with mutual adaptations and investments are a basis for long-term relationships. On the other hand the relationship needs to have a history before both parties can deeply involve each other. (Gadde and Håkansson 2001 p. 151)

3.2.8 Buyers brand effect to the supplier relationship

It seems that very often brands which are offering luxurious products have stronger relationships with their suppliers. These kinds of relationships create the trust and loyalty (Luxury brands build stronger supplier relationships [www]). Also in industrial networks there are several examples of long-term supplier relationships where both parties have required cooperation in R&D, trust, commitment and time. These kinds of brands are more often spending time with their suppliers and understanding them at the personal level.

Premium brands have better understanding of the value of the supplier relationship management and how it aligns with the organization's strategy. The suppliers are also more driven by being the customer of choice rather than obtaining cost savings. This is because of these brands focus on quality, exclusivity, cutting-edge technology and customer experience. These brands are also more likely to get feedback on the supplier perceptions of them and also work harder to create and maintain supplier loyalty. This happens often by translating this from their strategy of maintaining loyalty from their customer base. This is often done by treating supplier staff as members of an extended team e.g. with some giving staff benefits to the strategic suppliers; others invite suppliers to the customer events and activities or offering training courses. Although these organizations are very good at the human elements of the supplier relationship they still need to introduce more structured governance and process (Luxury brands build stronger supplier relationships [www]) There is also a common factor that they all see that the need for a collaboration is getting suppliers engaged and including them in the brand. In this type of collaboration suppliers are more willing to push their capabilities and go the extra mile to confirm quality and the brand itself.

3.3 Summary – How to develop the brand in a new supplier relationship

This chapter summarizes the brand equity models and evaluation of the supplier relationships. As a brand equity models I used two models that are suitable for this business which the thesis is handling. The two brand equity models used here are Keller's brand resonance model (2003) and Aaker's brand equity model (1991).

Brand equity is one of the significant entities in a brand management and developing and managing the brand equity has been emphasized as an important issue in most of the organizations. Professor Kevin L. Keller has developed his brand resonance model which is also known as a customer-based brand equity model (CBBE). The concept behind the brand resonance model is simple: in order to build a strong brand, you must shape how customers think and feel about your product. You have to build the right type of experiences around your brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it. When the supplier has strong brand equity the results are usually good; the customers will buy more, they will recommend brand to other people, they are more loyal and what is also important is that the relationship is less likely to lose to competitors. Keller has demonstrated four steps which supplier needs to follow in order to build strong brand equity and further, a strong supplier relationship. These four steps are 1) identity; who are you, 2) meaning; what are you, 3) response; what about you and 4) relationship; what about you and me. Within these four levels there are six building blocks that further will help with the brand development. These six building blocks are salience, performance, imagery, judgments, feelings, and resonance.

The other brand equity model which is used in this thesis is using is Aaker's brand equity model. The model is developed already at the early 90's by Professor David Aaker with the main idea that a set of brand assets and liabilities linked to a brand name and symbol, which add to or subtract from the value provided by a product or service. Aaker's brand equity model is more concentrated on creating a brand strategy than only

brand equity. According this model brand management starts with developing the brand identity. In Aaker's brand equity model the brand equity has five dimensions which are brand loyalty, brand awareness, brand associations, perceived quality, and market behavior. Each of these dimensions is providing a value to an organization in a numerous ways. The other argument which Aaker highlights in his brand equity model is that brand equity provides also value to the customers. It enhances that the customer's ability to gather and process information improves confidence in the supplier relationship and affects the quality. This model provides one perspective of the brand equity as one of the major components of modern marketing alongside the marketing concept and segmentation. The idea in this thesis is to use Keller's brand resonance model as a frame for identifying the brand equity and inside this model take an advantage of the Aaker's brand equity model. Both these models support each other and by this way we can get the most comprehensive picture of how the brand equity can be developed in a new supplier relationship context.

The goal for a supplier relationship is to streamline and make more effective the processes between the buyer and its suppliers. A working supplier relationship can provide competitive advantage, growth and brand development as well as reducing costs, improving efficiency and effectiveness and reducing supply side risk or helping to understand it so that it can be mitigated. This thesis's empirical part concentrates on new supplier relationships which are expected to become a long-term relationship. The Long-term relationship has pros and cons which should be seen as a key element for successful relationship where the history is always affected by the current situation.

In a long-term relationship it is important to clarify why they need or want a relationship with a certain supplier, who are the most important suppliers, and why and as well which advantages they bring. O'Brien's five C's model described in chapter 3.2.2 Requirements of a supplier explains these five C's which are clarity, confidence, closeness, contribution and collaboration. It is important to think these five C's as relationships has a remarkable economic impact for both parties business. Here is also raised the importance of the brand which both parties represent and its affect to a relationship. All

these components combined are basic tools for competitive brand building and efficient brand management and further for long-term supplier relationship.

Below I have created a figure which includes the brand and the supplier relationship where the both entities are seen as a frame for the Keller's brand resonance model and Aaker's brand equity model (in the figure as a Aaker model). The figure describes how the brand and the supplier relationship are combined in this thesis with Keller's brand resonance model and Aaker's brand equity model. Both brand and supplier relationship are equal in this figure despite those are located in different places. The strategy and the development describes the actions that happens with in the brand and the supplier relationship; every brand and supplier relationship has a strategy how to become e.g. market leader or get a stable position in a certain customer segment. Development stays for the future visions how the brand and the supplier relationship are expected to be developed and how it develops. For the brand and the supplier relationship there are two brand equity models which in the outboard circle is Keller's brand resonance model (brand resonance model) and in the inner circle Aaker's brand equity model (Aaker model).

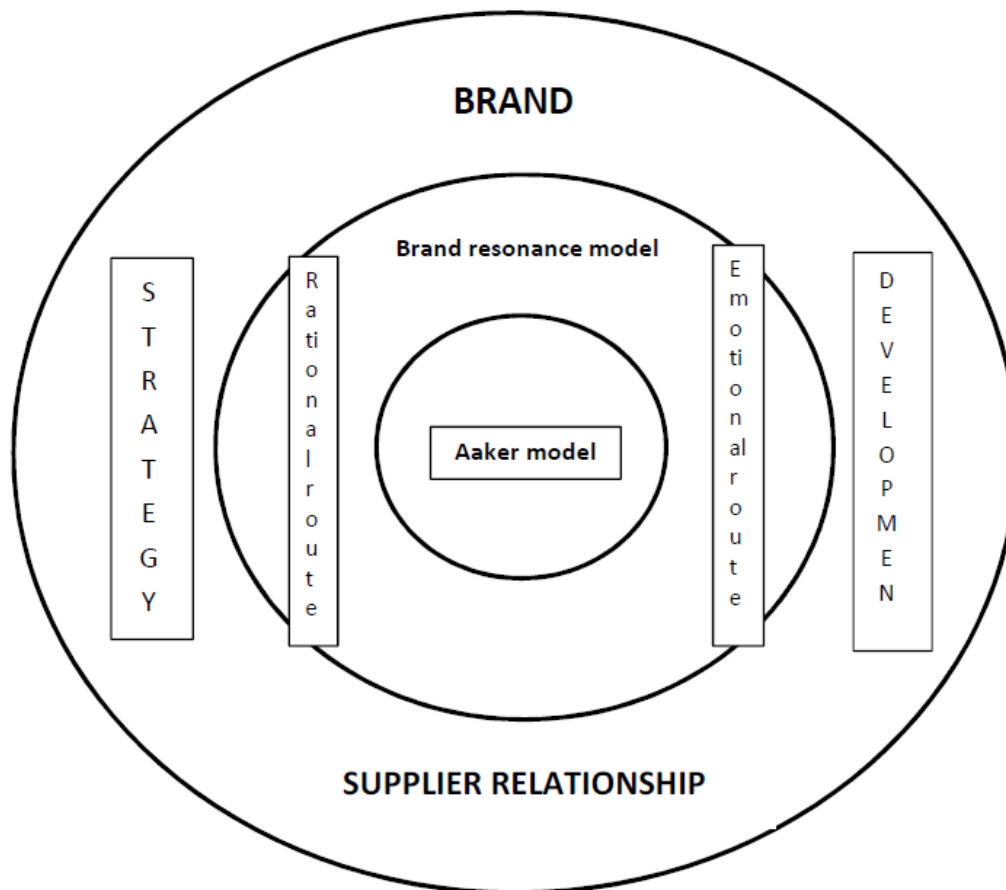


Figure 4. Brand and supplier relationship combined with Keller's brand resonance model and Aaker's brand equity model. (Figure Heidi Kangas 2015)

Summarizing, the literature used in this theoretical framework shows that the models and theories of a brand management and supplier relationship can be adapted to B2B context. Organizations need to understand that brands are more than products and services as well as understand supplier relationships in B2B context as well as organizational buying behavior and brand equity in B2B context. As mentioned above the four major dimensions of Aaker's brand equity model and building blocks from Keller's customer-based brand equity model seems to be applicable in B2B context.

Due to confidentiality reasons the empirical part of this thesis is excluded from the publicly available version.

4 ESTABLISHING A SUPPLIER RELATIONSHIP BETWEEN COMPANY X AND THE OEM'S

4.1 Background of the branch

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.

4.2 Company presentation

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.

4.3 Background of the selected the OEM's

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.

5 DISCUSSION

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.

6 CONCLUSIONS

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.

REFERENCES

- Aaker, David A. 1991. Managing Brand Equity. Ontario: The Free Press. 299 pp. ISBN 978-0029001011
- Aaker, Jennifer. Dimensions of Brand Personality. 1997. Journal of Marketing Research. 347-356 pp.
Accessed 9.4.2015. Published 1997
<http://www.jstor.org/stable/3151897>
- Ford, David et al. 2010. Understanding business marketing and purchasing, 3rd edition. UK: Lightning Source. 488 pp. ISBN 978-86152-769-1
- Gadde, Lars-Erik and Håkansson, Håkan. 2001. Supply network strategies. West Sussex: John Wiley and Sons, Ltd. 206 pp. ISBN 0-471-49916-1
- Gorchels, Linda. 2012. The product manager's handbook. US: The McGraw-Hill Companies. 432 pp. ISBN 978-0071772983
- Keller, Kevin L. 2003. Building, Measuring, and Managing Brand Equity 2nd edition. New Jersey: Prentice Hall. 788 pp. ISBN 978-0130411501
- Kotler Philip and Keller Kevin L. 2012. Marketing management, 14e global edition. US: Pearson education Limited. 679 pp. ISBN 978-0-273-75336-0
- Kotler Philip and Pfoertsch. 2006. B2B Brand management. Heidelberg: Springer Berlin. 357 pp. ISBN 978-3-540-25360
- Kotler Philip et al. 2012. Marketing management, 2nd edition. Italy: L.E.G.O.S.p.A. 1022 pp. ISBN 978-0-273-74361-3
- Lindberg-Repo Kirsti et al. 2009. Titans of Branding. Jyväskylä: Gummerus Printing Ltd. 114 pp. ISBN 978-951-20-8089-2
- Luxury brands build stronger supplier relationships. 2014. Accessed 3.4.2015.
<http://www.supplymanagement.com/news/2014/luxury-brands-build-stronger-supplier-relationships>
- O'Brien, Jonathan. 2014. Supplier Relationship Management: Unlocking the Hidden Value in Your Supply Base. UK: Kogan Page Publishers. 424 pp. ISBN 9780749468071
- Rodenbaum-Elliott, Richard et al. 2011. Strategic Brand Management. UK: Oxford University Press. 303 pp. ISBN 978-019-9565214

- Rodengren, Jeffrey L. 2014. *The Legend of Mercury*. Fort Lauderdale: Write Stuff Enterprises, LLC. 304 pp. ISBN 978-1-932022-37-7
- Yin, Robert K. 2013. *Case Thesis Research: Design and Methods*. US: SAGE Publications. 312 pp. ISBN 9781483302003

APPENDIX 1

The appendix 1 covered interview questions.

Due to confidentiality reasons, the further content of this section is excluded from the publicly available version of this thesis on Theseus.